

NOTE: The President spoke at 9:05 p.m. at the Warner Theater. In his remarks, he referred to singer Tony Bennett; Gov. Timothy M. Kaine of Virginia, in his capacity as chairman of the Democratic National Committee; and Secre-

tary of the Treasury Timothy F. Geithner. The Office of the Press Secretary also released a Spanish language transcript of these remarks. Audio was not available for verification of the content of these remarks.

Remarks at a Virtual Town Hall Meeting and a Question-and-Answer Session

March 26, 2009

The President. Thank you so much. Well, it is great to see all of you. And I am thrilled that all of you here in the White House and everybody who is viewing this online is participating in this experiment that we're trying out. When I was running for President, I promised to open up the White House to the American people. And this event, which is being streamed live over the Internet, marks an important step towards achieving that goal. And I'm looking forward to taking your questions and hearing your thoughts and concerns, because what matters to you and your families and what people here in Washington are focused on aren't always one and the same thing.

Here in Washington, politics all too often is treated like a game. There's a lot of point scoring, a lot of talk about who's up and who's down, a lot of time and energy spent on whether the President is winning or losing on this particular day or at this particular hour. But this isn't about me. It's about you. It's about the folks whose letters I read every single day. And for the American people, what's going on is not a game. What matters to you is how you're going to find a new job when nobody seems to be hiring or how to pay medical bills after you get out of the hospital or how to put your children through college when the money you'd put away for their tuition is no longer there.

That's what matters to you. That's what you expect your leaders to be focused on. And that's why I've been working to deliver the changes you sent me here to make, to ensure that we're not only making it through this crisis, but come out on the other side stronger and more prosperous as a nation over the long

term. That's the future that I believe is within our reach.

But that future will not come about on its own. It will come because we all, every single one of us, from Main Street to the Halls of Congress, do what generations of Americans have done in times of trial; because we remember that at heart we are one nation and one people, and united by a bond that no division of party or ideology can break; because we come together as Americans to choose that better day.

And that's what we've already begun to do. We as a nation have already begun the critical work that will lead to our economic recovery. It's a recovery that will be measured by whether jobs are being created and families have more money to pay their bills at the end of each month. That's why we're preventing teachers and police officers from being laid off and putting Americans to work rebuilding our crumbling roads and bridges and dams, creating or saving 3.5 million jobs in the coming years. And that's why we're putting a tax cut into the pockets of 95 percent of working families who will see it—see that tax cut in their paycheck by April 1st.

It's a recovery that will be measured by whether families can achieve that most American of dreams and own a home without fear of losing it. That's why we've launched a plan to stabilize the housing market and help responsible homeowners stay in their homes. This plan is one of the reasons that mortgage interest rates are now at near-historic lows. And we've already seen a jump in refinancings of mortgages and homeowners taking advantage of lower rates. And every American, by the way, should know that up to 40 percent of all

mortgages right now are eligible for refinancing.

It's a recovery that will be measured by whether families and entrepreneurs can get the loans they need. And that's why we're freeing up credit that's frozen with a program that supports the market for more car loans and student loans and small-business loans and with a plan that will partner government resources with private investment to break the logjam that is currently preventing our banks from lending money to even the most creditworthy customers.

And in the end, it's a recovery that will be measured by whether it lasts, whether it endures; by whether we build our economy on a solid foundation instead of a overheated housing market or maxed-out credit cards or the sleight of hand on Wall Street; whether we build an economy in which prosperity is broadly shared. That's what the budget I expect to sign is intended to do. It's a budget that cuts the things we don't need to make room for the investments we do, a budget that cuts the massive deficits we've inherited in half by the end of my first term and offers a blueprint for America's success in the 21st century.

That success will require preparing every child, everywhere in this country, to outcompete any worker anywhere in the world because we know that those students who are getting the best education are going to be able to compete. And that's why we're making a historic investment in early childhood education. And that's why we're going to make a historic investment in improving K-12 education, making sure that our children get a complete and competitive education from the cradle up through a career. It's an investment that will expand and improve not just early learning programs, but reward good teachers while replacing bad ones and put college or technical training within reach for anyone who wants it.

Our success will also require freeing ourselves from the dangerous dependence on foreign oil by building a clean energy economy, because we know that with this will not only come greater security and a safer environment, but new high-paying jobs of the future to replace those that we've lost.

And our success will also require controlling spiraling health care costs that are bankrupting families, and crushing businesses, and driving up skyrocketing deficits. At the current course and speed, these health care costs are unsustainable. And that's why my budget takes a first big step towards comprehensive health care reform that will reduce costs, improve care, and ensure that everyone who works has coverage they can afford.

This is what Americans' success demands and this is what our budget will do. And I'm under no illusions that a better day will come about quickly or easily. It's going to be hard. But as I said the other night at my press conference, I'm a big believer in the idea of persistence, the idea that when the American people put their mind to something and keep at it, without giving up, without turning back, no obstacle can stand in our way and no dream is beyond our reach. That's why we're here today, because it will take all of us talking with one another, all of us sharing ideas, all of us working together to see our country through this difficult time and bring about that better day.

So I want to thank all of you for this opportunity to talk with you. And now I'd like to bring Jared back up to the stage, and he's going to open it up for questions. So, Jared, let's see how this thing works.

Education Reform

Jared Bernstein. Thank you, Mr. President. Our first question comes from Boston, Massachusetts, on the topic of education: "The Founding Fathers believed that there is no difference between a free society and an educated society. Our educational system, however, is woefully inadequate. How do you plan to restore education as a right and core cultural value in America?"

The President. Well, it's a great question, and—let me see if this mike works so that I'm not stuck at this podium. I'm here only because of the education I received. I wasn't born into wealth, I wasn't born into fame, but I had parents who cared about education and grandparents who cared about education, and I was lucky enough, through scholarships and

sacrifice on the part of my family, to get the best education that America has to offer.

Too many of our children aren't getting that kind of education. It's not because their parents don't believe in the value of education; it's not because these young people are less talented. It's because of two reasons: One, in many cases, our schools are underresourced. There aren't enough teachers; the teachers aren't getting enough of the training they need for the classroom; there's a shortage of supplies. Some of the schools that I visited during the course of traveling around the country just shocked the conscience. There are schools that I've seen that were built in the 1850s that are still being used but haven't been upgraded the way they need to.

Now, there's a second problem, though, and it's one that money alone cannot solve, and that is that we have a school system that was designed for the agricultural era. There's a reason why we've got 3 months off during the summer. That's supposed to be when everybody is working on—out on the farm and bringing in harvest. And it's not just the amount of time our kids are spending, it's how our classrooms are designed, how curriculums are structured, how things like teacher promotion and training happen.

So a lot of times in Washington we get an argument about money versus reform. And the key thing to understand about our education system is we need more resources and we need reform. If we just put more money into a system that's designed for the 19th century and we're in the 21st, we're not going to get the educational outcomes we need. On the other hand, if we talk a lot about reform but we're not willing to put more resources in, that's not going to work.

So let me give you just a couple examples of what we need to do. Early childhood education we know works; let's invest in that. That's what my budget calls for: substantial investment; every dollar we invest in early childhood education, we get potentially \$10 back in improved reading scores, reduced dropout rates, reduced delinquency rates, and so forth.

Number two, let's focus on the most important ingredient in the school, and that's the

teacher. Let's pay our teachers more money. Let's give them more support. Let's give them more training. Let's make sure that schools of education that are training our teachers are up to date with the best methods to teach our kids. And let's work with teachers so that we are providing them measures of whether they're effective or not, and let's hold them accountable for being effective.

Now that doesn't mean just a single, high-stakes standardized test. It also means that we're working with teachers to determine, what's the best way to discipline—maintain discipline in a classroom? What's the best way to get kids excited about science? Giving them the time and the resources to improve, but also having high standards of expectation in terms of their performance.

If we do early childhood education, if we focus on teacher training, if we invest in math and science education, which is vital—and we're falling behind other countries on that front—then I actually feel pretty confident that we can outcompete any country in the world. But it's going to take more money, and it's going to take more reform, and it's going to take, by the way, openness to innovation on things like charter schools or performance pay. There are a whole range of things that may work, in some cases may not work, but we've got to try some new things, because right now too many of our kids are stuck, and we can't afford to lose them.

Homeownership in America

Mr. Bernstein. The next question is on homeownership, from Heather from Ohio: "President Obama, what benefits from the stimulus plan are there to those of us who are paying our mortgages but living paycheck to paycheck?"

The President. Well, I mentioned this in the opening remarks. This is something that I really want everybody to understand. Our housing plan—and we're devoting \$50 billion to it—has a number of different components. One component is setting up a mechanism where people who just can't afford their mortgage right now are able to renegotiate with banks, and the banks lower their interest, and

the homeowner assures that they're going to make a commitment to pay a certain amount every month, and the Government helps to step in to bridge the gap. But the point is, it's going to be cheaper, not only for that family but also potentially for the entire community, if they stay in their home. And so that's—that part of the housing plan is targeted for folks who are really in distress. They're getting close to the point where they might be losing their home.

But there are a whole bunch of folks out there who are not about to walk away from their home, but are getting killed right now because their home values have dropped drastically; they're still making payments, but they're in trouble. And for that huge set of responsible homeowners out there, I want people to understand, what we've done is created mechanisms in the credit markets that have lowered mortgage rates down to historic levels, and what we've done is we've opened it up so that FHA loans that used to be only for people with a certain mortgage level, that we are using FHA and other mechanisms to open up refinancings to a whole bunch of homeowners who previously weren't qualified.

So now what you've got is a situation where 40 percent of the people sitting here, 40 percent of the people who are participating in this virtual town hall, could potentially refinance their mortgage. And they've got to take advantage of that. We are providing additional support from the Government in order to facilitate those refinancings. We're starting to see refinancings go up significantly.

So you have the potential to cut your monthly payments, but you've got to take advantage of it. And if you need more information, you can go on our web site, at the whitehouse.gov, or you can contact your local bank and find out whether you qualify to participate in this refinancing.

Job Creation/National Economy

Mr. Bernstein. Next we have a video question from Harriet in Georgia about bringing jobs back to America.

[At this point, a video was shown.]

Q. Hello, President Obama. Here is my question for your online town meeting. When can we expect the jobs that have been outsourced to other countries to come back and be made available to the unemployed workers here in the United States? Thank you so much for all your hard work. God bless you. Bye-bye.

The President. Well, I appreciate that. Let me talk more, first of all, broadly about what's happening in the job market. We have had just a massive loss of jobs over the last several months; it's the kind of job loss we haven't seen at least since the early eighties and maybe since the 1930s, in terms of how quickly we've seen the economy shed jobs.

A lot of that is prompted by the financial crisis and the locking up of the credit markets. And that's why when we are—when we talk about dealing with this credit crisis and the banks, I just want everybody to understand it's not because we're overly concerned about Wall Street or a bunch of CEOs; it's because if we don't fix credit, if we don't get liquidity back to small businesses and large businesses alike who can have that—use that line of credit to buy inventory and to make products and sell services, then those businesses shrivel up, and they start laying people off.

Ultimately, our measure of whether we're doing a good job or not is, are we going to be able to create and save jobs? And part of that involves fixing the financial system.

There is a long-term issue, though, that we have to deal with—and this was true even before the current crisis—and that is that so much of our economic activity was in the financial services sector. It was related to an overheated housing market. It was dependent on huge amounts of consumer saving. And we were seeing those steady declines in manufacturing. We were seeing steady declines in a lot of other productive sectors of the economy. And one of the things that my budget is designed to do is, by fixing our education system, by reducing costs of health care, by going after the clean energy jobs of the future, trying to put our economy on a more solid footing.

Now, a lot of the outsourcing that was referred to in the question really has to do with the fact that our economy, if it's dependent on

low-wage, low-skill labor, it's very hard to hang on to those jobs because there's always a country out there that pays lower wages than the U.S. And so we've got to go after the high-skill, high-wage jobs of the future. That's why it's so important to train our folks more effectively, and that's why it's so important for us to find new industries—building solar panels or wind turbines or the new biofuel—that involve these higher value, higher skill, higher paying jobs.

So I guess the answer to the question is, not all of these jobs are going to come back. And it probably wouldn't be good for our economy for a bunch of these jobs to come back because, frankly, there's no way that people could be getting paid a living wage on some of these jobs, at least in order to be competitive in an international setting.

So what we've got to do is create new jobs that can't be outsourced. And that's why energy is so promising. We've been talking about what's called a smart grid, and some of you may have heard of this. The basic idea is, is that we're still using an electricity grid that dates back 100, 150 years ago. Well, think about all the gizmos you guys are carrying—[laughter]—all the phones and the BlackBerrys and the this and the that. You're plugging in all kinds of stuff in your house. We've got an entirely new set of technologies, huge demands in terms of energy, but we've got a grid that's completely outdated.

Now, one of the things that we wanted to do in the stimulus package was to go ahead and start laying a new grid. And to do that, it's like building the transcontinental railroad. You've got to—it's a huge project involving all 50 States.

The benefits of the grid are that we could reduce our energy costs by billions of dollars. We could set up systems so that everybody in each house have their own smart meters that will tell you when to turn off the lights, when the peak hours are, can help you sell back energy that you've generated in your home through a solar panel or through other mechanisms. If we get plug-in hybrid cars, you can plug it in at night and sell back electricity to

the utility, and then charge up your car again in the morning before you leave.

All this can be done, but it also creates jobs right now. Our biggest problem, we don't have enough electricians to lay all these lines out there. And these are jobs, these are union jobs that potentially pay \$80,000, \$90,000 a year, with benefits. But it's a matter of making the investment in infrastructure and also then training the workers to be able to get those jobs. And that's where we're going to be focused on. That's where the job growth is going to occur.

One last point I want to make, and I know I'm not supposed to talk this long, but we're going to have to be patient and persistent about job creation because I don't think that we've lost all the jobs we're going to lose in this recession. We're still going to be in a difficult time for much of this year. Employment is typically what's called a lagging indicator. Now, this is—Dr. Bernstein, he's a Ph.D. economist, so he'll correct me if I'm wrong here, but—

Mr. Bernstein. I'm sure I can make this really confusing. [Laughter]

The President. But historically, if you look at every recession, what happens is that when the economy starts getting in trouble, it takes a while before businesses decide, you know what, this economy is in trouble, it's not bouncing back, we'd better start laying off workers. So what we're seeing now is a lot of businesses have decided that our sales are way down, we've got to start shedding workers. And that's going to continue for a while.

Now, the reverse is true as well. When the economy starts recovering, when these businesses start being a little more confident that, you know what, we think we've bottomed out, the recovery package President Obama passed gives us some optimism about making investments in certain areas. It takes a while before they start hiring even if they've started to make these investments.

So the reason I point that out is, I don't want people to think that in 1 or 2 months suddenly we're going to see net job increases. It's going to take some time for the steps that we've taken to filter in. The fact that the

housing market is starting to stabilize a little bit—there's still a lot of inventory out there before people then actually start building new homes. At some point people are going to start buying new cars again, but it's going to take a little bit of time for the automakers to get back on their feet.

So employment is something that we're going to have a difficult time for the next several months, maybe through the end of this year, but I'm confident that we're taking the steps that are required to create these new jobs of the future.

Mr. Bernstein. After the last recession ended in 2001, the unemployment rate went up for another 19 months before it started coming back down.

Health Care Reform

Mr. Bernstein. This next question—an area close to your heart—health care reform, from Richard in California: “Why can we not have a universal health care system, like many European countries, where people are treated based on needs rather than financial resources?”

The President. Well, first of all, I was in this room last month in what we called a health care forum. And we brought all the Members of Congress, Republicans and Democrats, who are interested in this issue; we brought together various constituency groups, insurance companies, drug companies, you name it. And my message to them was: Now is the time to reform the health care system, not 4 years from now, not 8 years from now, not 20 years from now—now.

And the reason—[*applause*]—the reason that I think it is so important is that the high costs of health care are a huge drag on our economy. It's a drag on our families. I can't tell you how many personal stories that I hear about people who are working, maybe have two parents working, and yet still don't have health care. And the decisions that they have to make—excruciating decisions about whether or not somebody goes to a doctor—it makes them less productive; it makes them less mobile in terms of being able to take new jobs or start a new business because they're worried about

hanging on to their health care. So it's a drag on families.

But it's a drag on businesses as well. There's not a small business or large business out here who hasn't seen their health care costs skyrocket, and it cuts into their profits.

And it's a drag on the Federal budget and the State budgets. That's the thing that is going to, potentially, break the bank here in the United States. Medicare and Medicaid, if we don't get control of that, that is the biggest driver of our long-term deficits.

So when people—when you hear this budget debate that's taking place right now, and folks say, “Oh, you know, his—President Obama's budget, he's increasing money for veterans and he's increasing money for education, and he's doing all these things that—that's going to bust the budget,” what they don't understand is, is that if you add up the recovery package that we've already passed and you add up the various proposals I have to grow the economy through clean energy and all that stuff that we're doing, that amounts to a fraction of the long-term deficit and debt that we're facing. The lion's share of it has to do with Medicare and Medicaid and the huge, rising cost of health care. So our attitude is, better to pay now and make an investment in improving the health care system rather than waiting and finding ourselves in a situation where we can't fix it.

Now, the question is, if you're going to fix it, why not do a universal health care system like the European countries? I actually want a universal health care system; that is our goal. I think we should be able to provide health insurance to every American that they can afford and that provides them high quality. So I think we can accomplish it. Now, whether we do it exactly the way European countries do or Canada does is a different question, because there are a variety of ways to get to universal health care coverage.

A lot of people think that in order to get universal health care, it means that you have to have what's called a single-payer system of some sort. And so Canada is the classic example: Basically, everybody pays a lot of taxes into the health care system, but if you're a Canadian, you're automatically covered. And so you go

in—England has a similar—a variation on this same type of system. You go in and you just say, “I’m sick,” and somebody treats you, and that’s it.

The problem is, is that we have what’s called a legacy, a set of institutions that aren’t that easily transformed. Let me just see a show of hands: How many people here have health insurance through your employer? Okay, so the majority of Americans, sort of—partly for a historical accident. I won’t go into—FDR had imposed wage controls during war time in World War II. People were—companies were trying to figure out how to attract workers. And they said, “Well, maybe we’ll provide health care as a benefit.”

And so what evolved in America was an employer-based system. It may not be the best system if we were designing it from scratch, but that’s what everybody is accustomed to; that’s what everybody is used to. It works for a lot of Americans. And so I don’t think the best way to fix our health care system is to suddenly completely scrap what everybody is accustomed to and the vast majority of people already have. Rather, what I think we should do is to build on the system that we have and fill some of these gaps.

And I’m looking to Congress to work with me to find that optimal system. I made some proposals during the campaign about how we can lower costs through information technologies; how we can lower costs through reforms in how we reimburse doctors so that they’re not getting paid just for the number of operations they’re doing, but for whether they’re quality outcomes; investing in prevention so that kids with asthma aren’t going to the emergency room, but they’re getting regular check-ups.

So there are a whole host of things that we can do to cut costs, use that money that we’re saving then to provide more coverage to more people. And my expectation is, is that I will have a health care bill to sign this year. That’s what we’re going to be fighting for; that’s what we’re going to be striving for.

Can I just interrupt, Jared, before you ask the next question, just to say that we took votes

about which questions were going to be asked, and I think 3 million people voted or——

Mr. Bernstein. Three point five million.

The President. Three point five million people voted. I have to say that there was one question that was voted on that ranked fairly high and that was whether legalizing marijuana would improve the economy—[laughter]—and job creation. And I don’t know what this says about the online audience—[laughter]—but I just want—I don’t want people to think that—this was a fairly popular question; we want to make sure that it was answered. The answer is, no, I don’t think that is a good strategy—[laughter]—to grow our economy.

So, all right.

Assistance for U.S. Military Veterans

Mr. Bernstein. Thank you for clearing that up. [Laughter] This next question comes from Columbia, South Carolina: “The unemployment rate for Iraq and Afghanistan veterans is higher than the national unemployment rate. Our veterans are a national treasure. How can you, the VA, and I ensure our veterans are successfully transitioning into civilian life?”

The President. That’s a great question. You know, I had just an extraordinary honor; yesterday was Medal of Honor Day. And I went to Arlington National Cemetery, and we had a ceremony in front of the Tomb of the Unknown Soldier with a collection of Medal of Honor winners from all our various wars.

And a special place of honor was a guy named John Finn, who had been present the day Pearl Harbor was bombed. He was on one of the ships, was shot by—was strafed by the fire from the planes coming in and yet still had the presence of mind to shoot down a plane, and won the Medal of Honor, or was awarded the Medal of Honor for that. And it just reminds you that we wouldn’t be here if it hadn’t been for the sacrifices of earlier veterans. We would not enjoy the same safety and security and liberty that we do.

So when our veterans come home from Iraq and Afghanistan—and they have performed brilliantly, they have done everything that’s been asked of them, regardless of what your views are on these wars—they have earned

these benefits that all too often we fail to give them.

And that's why in my budget we are increasing veterans funding by more than any time in the last 30 years. We're going to make sure that we deal with the—[*applause*]*—*we're going to make sure that deal with the backlog that too many veterans experience in terms of getting benefits. We're going to make sure that homeless veterans are receiving housing and services.

The homeless rate for veterans is multiple times higher than it is for nonveterans. That's inexcusable. It means that we're going to provide services for Posttraumatic Stress Disorder, that we're going to provide services for traumatic brain injury, that are the signature injuries of these recent wars. So we are going to significantly increase veterans spending.

Now, just as is true generally, government alone can't do it. So all of us, individually, are going to have roles. If you're a business owner, hiring a veteran, not discriminating against somebody who's a veteran is going to be absolutely critical. In your communities, in your churches, in your neighborhoods, making sure that there's outreach and celebration of veterans when they come home, that's going to be critical.

I think we've done a much better job during these wars than we did during Vietnam, where in many cases our treatment of veterans was inexcusable. But we can always do more. Government is going to do its role, and then we've got to make sure that our communities do their role as well.

National Service Program/Student Loan Programs

Mr. Bernstein. Mr. President, the next video will be our last Internet question before we turn to the audience for Q&A for followup. Let me also note that this question from Alex in Ohio happens to be about the same topic that the Middle Class Task Force is focusing on this month. Let's turn to this.

[*A video was shown.*]

Q. Hi, Mr. President! My name is Alex. My name is Kristin. And I'm Mallory. We are all

sophomores at Kent State University in Ohio. We really like the emphasis you've put on education so far in your administration, but we're concerned about higher education. Our question is: What proposals do you have to make college more affordable and to make student loans easier to get? And when will your national service program be available so we can take advantage of the scholarship? Thank you, Mr. President!

The President. That was pretty well done. [*Laughter*] So, well, I am very excited about the possibility that we may be able to get national service done in the next few weeks. National service was a priority for me during the campaign, partly because of my own biography. I found my calling when I became a community organizer working in low-income neighborhoods when I was 22, 23 years old. And it gave me a sense of direction, a sense of service, it helped me grow, it helped me give back. And I think there are young people all across America who are eager for that opportunity.

And so what we said during the campaign was, let's set up a situation where every young person who is so inspired can take advantage of service, and in exchange they will help be able to finance their educations. And I'm confident that we're about to get legislation passed. And once that legislation is passed, I think that before the end of the year, potentially, we can get something implemented on that front.

In addition, what we are also doing is to try to make the student loan and student grant programs that are already in place work better. So just to give you one example, right now a lot of the student loan programs run through banks, but a lot of them go directly to students from the Government, so-called direct loans. The banks make several billion dollars' worth of profits off managing these student loans, which would be okay except for the fact that these loans are guaranteed by the Federal Government.

So the reason banks are able to make money lending you is because there's some risk that you might not pay it back, plus you're giving up the use of your money for—they're giving up the use of their money for a while. If, on the other hand, this is the Government's money and

they're just a pass-through, it doesn't seem very sensible that banks should be making money that way.

So what we've said is let's make all these direct loans, as opposed to having bank intermediaries or—and not just banks—financial services organizations. They can make profits on other things, but let's not have them make profits on this. Let's take those billions of dollars, and that then allows us to either lower student loan rates or expand grants.

And one of the things that we want to do is on the Pell grant program, for example. We want to increase the amount of the Pell grant so that it catches up with inflation, and we want to—we want more young people to be eligible for the Pell grant program. And that's particularly important because anybody who's financed their education understands that grants are a lot better than loans. And when I was going to college, about—and this was typical for, I think, college students—the average student who needed financial assistance, about 70 percent of it came in grants and about 30 percent of it came in loans. Today, it's reversed: 30 percent come in grants; 70 percent come in loans. And so students are loaded up with \$20,000, \$30,000, \$40,000 worth of debt. And this is just for their undergraduate education; that doesn't even start counting their higher ed.

And if you come out of college with \$50,000 worth of debt, it's hard for you to then start making a decision about wanting to be a teacher or wanting to go into social work or wanting to be a scientist and research to find the next innovation. You may decide, "Well, the only thing I can do is to work on Wall Street or work in a big corporation that's not doing cutting-edge research."

And we want people—all that's fine, I mean, those are good career choices—but we want our young people to have more flexibility. Not to mention, we want them to be able to—if they choose to get married, to be able to buy a home and start a family without already having essentially a mortgage that they're carrying with them out of college, before they even buy a house.

So we're going to spend—this is another area where we devote a considerable amount of money in our budget. And I just want to remind you of this, because we're having this budget debate in Washington right now. And again, everybody says—a lot of the critics out there are saying, "How is it that you're going to be spending all this money? We've got to worry about the deficit, et cetera."

I just want to remind you that the money that we are spending on education, on health care, and on energy, if you added up all that increased money that we're spending, it still is not what's driving our long-term deficits. What's driving it is Medicare, Medicaid, a structural gap that we have because of the Bush tax cuts over the last several years that left us spending a lot more than we were saving.

And it's going to take us a while to dig our way out of that problem. But the way to dig our way out of that problem is not to shortchange investments in our people. A lot of—I'll bet there are a bunch of families here who are making some tough choices right now, and are—who are scrimping a little bit and saving.

Now, somebody could make the same argument to you that folks are making to us with respect to the budget, which is, you can't afford to be sending your kids to college right now. That's fiscally irresponsible. You're taking out debt for your kids to get an education. It's better for you to just put them to work right now at Mickey—at a fast food place, and they'll be bringing in a little bit of income. And maybe later they can go to college.

Well, most of us don't make that decision, because we understand that making the investment now will lead to greater opportunity, greater economic advancement later. Well, the same thing is true in our economy. We can't shortchange the investments that will allow us to grow in the future.

We're going to have to impose discipline and eliminate programs that don't work, and we're doing that. We're cutting this budget by \$2 trillion. And we're cutting the deficit in half by the end of my first term. But what we can't shortchange are those things that are going to

allow us to grow long term. I don't want us to constrict and reduce our ambitions, and our—and set our sights lower for our kids and the next generation, because we weren't willing to make those investments now. That's not how America works.

All right. So now—the folks here have been very patient, so all of you who are watching this live streaming online, we're actually going to have some live stuff instead of some virtual stuff. We're going to ask—get some questions or comments from the audience. And I'm going to go boy, girl, boy, girl—[laughter]—to avoid anybody being mad at me. And we'll start right there, yes. And we've got some microphones so everybody can hear you.

U.S. Auto Industry

Q. Mr. President, my name is Ellie. I'm from Maryland, but I'm originally from Michigan. I have family members who work for GM and Ford. I know the top executives have made—of the auto companies—have made a lot of bad moves over the years, but I can't imagine the suffering that we would see in the Midwest if these companies went under. So my question to you is, what specific steps do you see your administration taking about the health of the auto industry?

The President. Okay. It is a very topical question because I'm going to be making some announcements over the next several days about the auto industry. I don't want to make all the news here today, so I'm not going to be as specific as you'd like, but I guarantee in the next few days you will have a very extensive answer on what we need to do.

Let me give you my general philosophical approach, and that is that we need to preserve a U.S. auto industry. I think that's important. I think it's important not just symbolically; it's important because the auto industry is a huge employer, not just the people who work for GM or Ford or Chrysler, but all the suppliers, all the ripple effects that are created as a consequence of our auto industry. But my job is also to protect taxpayers. And you're right, there's been a lot of mismanagement of the auto industry over the last several years.

Now, right now, we are in such a bad crisis that even Toyota is losing a whole lot of money. So typically you're looking at \$14 million—or 14 million new cars are sold every year. Is that right, Jared, in an average year for our population? It's gone down to 9. Everybody has pulled back, partly because of the credit crunch, people couldn't get auto loans; people were worried about, am I going to keep my job, so they decided let's put off buying the new car. The point is, is that you've seen this huge dropoff. So every automaker is getting killed right now.

I think it is appropriate for us to say, are there ways that we can provide help for the U.S. auto industry to get through this very difficult time, but the price is that you've got to finally restructure to deal with these long-standing problems. And that means that everybody is going to have to give a little bit—shareholders, workers, creditors, suppliers, dealers—everybody is going to have to recognize that the current model, economic model, of the U.S. auto industry is unsustainable. Even if sales go back to 14 million, which eventually they will, it's still a model that doesn't work. They're—just trying to build more and more SUVs and counting on gas prices being low and that's your only profit margin, that's just not a model that's going to work.

So what we're expecting is that the automakers are going to be working with us to restructure. We will provide them some help. I know that it is not popular to provide help to auto-workers—or to auto companies. But my job is to measure the costs of allowing these auto companies just to collapse versus us figuring out, can they come up with a viable plan? If they're not willing to make the changes and the restructurings that are necessary, then I'm not willing to have taxpayer money chase after bad money.

And so a lot of it's going to depend on their willingness to make some pretty drastic changes. And some of those are still going to be painful because I think you're not going to see a situation where the U.S. automakers are gaining the kind of share that they had back in the 1950s. I mean, we just didn't have any competition when—back then, Japan was in rubble, Europe was in rubble—we were the only players

around. And that's not going to be true. This is going to be a competitive global market. We have to make those adjustments.

All right. Okay. It's a gentleman's turn. All right, this gentleman right here. We got a microphone behind you.

Federal Procurement System/Government Contracts

Q. Good afternoon, Mr. President. My name is Carlos Del Toro. I served in the Navy for 26 years, retired 4 years ago, and started a small business. So I first want to thank you for all the efforts that you and your administration has done on behalf of veterans and also on behalf of small businesses.

The President. Well, we appreciate your service. Thank you.

Q. Thank you, sir. My question is, one of the things that I have experienced over the last 4 years as a small business trying to do business in the Federal procurement business, essentially, as a small engineering company, is the challenge of the bundling of contracts, which has made it increasingly difficult for service-disabled businesses—all small businesses across the Nation—to compete, basically, within the Federal procurement system. I know that you believe in fair and open competition on a broad basis. I would suggest to you, and my question to you is, will your administration look at this issue and try to unbundle these contracts that make it more competitive for small businesses to work in the Federal marketplace?

The President. It's a great question. It's an issue that I'm familiar with. Just by way of background for people who aren't as familiar with Federal purchasing, the Federal Government is such a big customer that sometimes for administrative convenience, what they do is they just say, "Here, Halliburton, here's a contract for \$20 billion to do all these various things, and then you sort of figure out how you're going to divvy it up." Well, it may be that—I'm sorry, what was your name?

Q. Carlos.

The President. It may be that Carlos has a better product to sell—

Q. You're right. [Laughter]

The President. —you know, for a segment of that contract, but he can't bid on the entire thing, right? And so what ends up happening is he—the taxpayer loses the benefit of a better product at a better price because everything is bundled into this huge contract with a giant general contractor who then divvies up the business.

So one of the things that we're trying to figure out is, are there are ways that we can unbundle and unpack some of these goods and services that the Government purchases. It'll save taxpayers' money; it'll promote more competition. He's—Carlos is still going to have to bid. He's still going to have to prove that his price is better and his product is better, but at least he's got a chance.

Now, we're not going to be able to do that on everything, because there are some things that, frankly, you need some economies of scale, right? But what we want to do is make sure that we're looking for every opportunity to unbundle, to give everybody a chance to compete so that we don't just have one or two or three major contractors who are getting every contract. Because at a certain point what ends up happening is those contractors get so much clout in Washington, they're getting such huge contracts, then they start spending a million dollars on lobbyists to make sure that the contracts keep going the same way. You start seeing the system distorted in ways that aren't healthy. And the more players there are, the more Carloses there are who are out there scratching and striving to get some business, ultimately, the better deal we'll get as taxpayers.

So, great. Okay. Here you go.

Nurses

Q. My name is Linda Bock, and I'm a registered nurse just in Prince George's County, Maryland—been there 34 years at a free senior health center. And I'm here with my fellow nurses from SEIU. First of all, thank you for listening to us, because as nurses we do listen to our patients all the time. We're their advocate.

The President. Absolutely.

Q. And so we appreciate this opportunity for you to hear from us. One of the things we want to make sure is that nurses are represented in the health care forum committees—reform committees because we want to be there on behalf of our fellow nurses and on behalf of the patients that we sometimes have to speak up for. So I really hope that we can be there so we can push the things like prevention and education that are so very important so that we don't use our emergency rooms for their doctor visits and that we have more community-based health centers for those that are in need. And I just—I really appreciate this opportunity to be heard.

The President. Good. Well, I appreciate that. I guarantee you nurses were part of the health care summit, and they will be at the table in all these discussions. I'm biased towards nurses, I just like nurses—[laughter]. When Michelle and I went in and Malia was being born, the ob-gyn was a close friend of ours and so was much more attentive than the usual ob-gyn might be. But the fact is, we only saw her for, like, 15 minutes. The rest of the time, it was nurses who were doing everything. When Sasha, our little precious pea—[laughter]—when she got meningitis when she was 3 months old—very dangerous. The doctors did a terrific job, but, frankly, it was the nurses that were there with us when she had to get a spinal tap and all sorts of things that were just bringing me to tears.

And we've got a problem in this country, which is we have a shortage of nurses—makes no sense, given this unemployment rate. But the reason is, is because the pay of nurses, the hours of nurses, the quality of life of nurses, the fact that nurse professors are even worse paid than the nurses themselves, so that you get these huge bottlenecks in terms of training as many nurses as we want.

I mean, all these issues are part of the inefficiency of the health care system that has to be fixed. And the more we're emphasizing primary care, preventive care, wellness—all of which will save us money in the long term—the more that we can deploy nurses as the troops on the frontlines in, ultimately, driving down some of these health care costs.

So I think it's very important that nurses are a part of this process.

So, here, Ed. We've got a mike. I'm hanging on to my mike. [Laughter]

Small-Business Owners/Taxes

Q. Yes, sir.

The President. I might not get it back. [Laughter]

Q. Sir, you're the President, you always get it back. [Laughter] Sir, I'm Tom Sawner. I'm a service-disabled veteran, small-business owner in Arlington, Virginia. My company, Educational Options, works with public schools. We serve more than 200,000 at-risk kids within public schools, providing online content, partnering with teachers, and I was honored to serve on your education platform committee.

The President. Wonderful.

Q. Today my question is, as a small-business owner, my company is still profitable. We're still growing; we're still hiring. The money that I make as a profit, I'm plowing right back in, and even the money that I pay to the bank for my business loans. Yet under current tax laws, all of that counts as income to me before I ever see a penny of it.

Sir, could you please help small businesses by allowing, some way, somehow, money we pay to the bank in principle to not count against our income, and put us in the "richest" before we ever seem a dime, and allow us to invest in this huge engine to drive economic recovery?

And a final question: As a veteran, would you please see if we can enforce the existing laws for veteran and other small-business set-asides? Thank you, sir.

The President. Okay, good. Well, thank you for the question. Obviously, I'm not completely familiar with your circumstances or your tax status. But we want to do everything we can to relieve the tax burden on startups and small businesses, and as they grow, then their tax burden is going to grow accordingly.

So one of the things that we have already proposed and is reflected in our budget, is that we are eliminating capital gains taxes for small businesses. That's something that we've already proposed and put in place.

Now, what'll happen is, you won't see that reflected in an immediate benefit because it will kick in 5 years from now. The law starts now,

but you have to have those capital gains accumulate over the course of 5 years before it counts, because we don't want people gaming the system. But that's an example of the kinds of tools that we are already putting in place in the Tax Code to provide you relief, so that as you're reinvesting, that you are not penalized for that reinvestment.

And we will do everything we can to enforce the existing rules with regard to small businesses for veterans.

Q. Thank you, sir.

The President. Okay, this young lady back here.

Education Reform

Q. Hi, Mr. President. Thank you so very much for having me, a public school teacher from Philadelphia, Pennsylvania, here to be with you.

The President. What's your name?

Q. Bonnee Breese.

The President. Good to see you, Bonnee.

Q. Thank you. I'm from Overbrook High School. I have to say that, because I know all the children are watching. *[Laughter]*

The President. Okay. All right. Hello, Overbrook. *[Laughter]* There you go.

Q. Thank you. Two questions in reference of education, since this is a major part of your budget plan and platform. Definitions of charter schools and definitions of effective teachers—how do you plan to define those two categories? And are you willing to have teachers on the platform, in the committees, as a part of developing those plans?

The President. Oh, absolutely. Well, as I said, the teachers are the most important person in the education system. So if we don't have teacher buy-in, if they're not enthusiastic about the reforms that we're initiating, then, ultimately, they're not going to work. So we've got to have teacher participation in developing these approaches.

The definition of charter schools is pretty straightforward. And that is that in most States you now have a mechanism where you set up a public school—so this is not private schools, these are public schools receiving public dollars—but they have a charter that allows them

to experiment and try new things. And typically, they're partnering up with some sort of non-for-profit institution.

So in Chicago, you've got charter schools that are affiliated with a museum, or they're affiliated with an arts program, and they may have a particular focus. It may be a science charter school, or it may be a language academy. They are still going to have to meet all the various requirements of a State-mandated curriculum; they're still subject to the same rules and regulations and accountability. But they've got some flexibility in terms of how they design it. Oftentimes, they are getting parents to participate in new ways in the school. So they become laboratories of new and creative learning.

Now, there are some charter schools that are doing a great job, and you are seeing huge increases in student performance. And by the way—one last point I want to make about these charters—they're nonselective, so it's not a situation where they're just cherry-picking the kids who are already getting the highest grades; they've got to admit anybody. And typically there are long waiting lines, so they use some sort of lottery to admit them.

Some of them are doing great work, huge, huge progress, and great innovation; and there's some charters that haven't worked out so well. And just like bad—or regular schools, they need to be shut down if they're not doing a good job. But what charters do is they give an opportunity for experimentation and then duplication of success. And we want to encourage that. So that's the definition of charters.

In terms of teachers, how we measure performance—as I said before, I have been a critic of measuring performance just by the administering of a single, high-stakes standardized test during the year, and then the teacher is judged. And that was, I think, the biggest problem with No Child Left Behind. It basically said that you just go in—*[applause]*—here's the standardized test, we'll see how the kids are doing. And because it doesn't even measure progress, you could have a very good teacher or a very good school in a poor area where test scores have typically been low,

and they are still punished even though they're doing heroic work in a difficult situation.

The other problem is that you started seeing curriculums and teachers teaching to the test, not because they want to, but because there's such a huge stake in doing well on these tests that suddenly the science curriculum, instead of it being designed around sparking people's creativity and their interests in science, it ends up just being, here's the test, here's what you have to learn, which the average kid is already squirming enough in their seat; now they're thinking, well, this is completely dull, this is completely uninteresting. And they get turned off from science or math or all these wonderful subjects that, potentially, they could be passionate about.

So what we want to do is not completely eliminate standardized tests; there's a role for standardized tests. All of us have taken them, and they serve a function. We just don't want it to be the only thing. So we want to work with teachers to figure out how do we get peer review, how do we have evaluation—I was just talking to Bill Gates yesterday, and he was talking about the use of technology where you can use videos to look at really successful teachers and how they interact with their students, how they're monitoring students, et cetera, and then you bring in the teachers at the end of the day and, just like a coach might be talking to his players about how you see how on that play you should have been here and you could have done that—same thing with teachers.

But they don't get that feedback. Usually, especially beginning teachers are completely isolated. They're in this classroom; they're sort of just thrown in to sink or swim. Instead, let's use a variety of mechanisms to assess and constantly improve teacher performance.

Now, one thing I have to say, I know you'll admit this, although maybe you can't on TV, but if—in private I'll bet you'd admit that during the—how long have you been teaching?

Q. I've been teaching for 15 years and at Overbrook for 8 years.

The President. Fifteen years. Okay, so you've been teaching for 15 years. I'll bet you'll admit that during those 15 years there have been a couple of teachers that you've met—you don't

have to say their names—[laughter]—who you would not put your child in their classroom. [Laughter] See? Right? You're not saying anything. [Laughter] You're taking the Fifth. [Laughter]

My point is that if we've done everything we can to improve teacher pay and teacher performance and training and development, some people just aren't meant to be teachers, just like some people aren't meant to be carpenters, some people aren't meant to be nurses. At some point they've got to find a new career.

And it can't be impossible to move out bad teachers, because that brings—that makes everybody depressed in a school, if there are some folks—and it makes it harder for the teachers who are inheriting these kids the next year for doing their job.

So there's got to be some accountability measures built in to this process. But I'm optimistic that we can make real progress on this front. But it's going to take some time. So, all right?

Mr. Bernstein. Mr. President, we have—

The President. How many times—

Mr. Bernstein. One more question, please.

The President. Oh, one more question. Now, yelling—just saying it right here is not going to get you the question. [Laughter] You know what I'm going to do, is—I hope I don't seem biased here; I'm going to go with a young person here. Last question—at least younger than me. [Laughter]

Health Care Reform

Q. Thank you, Mr. President. My name is Sergio Salmeron. I want to find out about health care. In a society, a lot of times we have to step back and ask ourselves if what we're doing in principle, not in practice, is right. And so when we think about health care, I want to know from you if the things like preexisting conditions and preventive medicine, if they are a symptom of what's going on in our health care system, then what is the problem and how do you address it?

The President. Well, I'll talk to you about preexisting conditions, because this is something that I talked about during the campaign; it's something that touched on me personally.

My mother contracted ovarian cancer when she was 53, and she died 6 months later. It's one of those cancers that typically is diagnosed very—at late stages; it's hard to catch early.

She was at the time working as an independent contractor. She was working for an international assistance organization. And so she had insurance, but when she was diagnosed and she started—and the medical bills started mounting up, some of—this insurance company started saying that this is a preexisting condition, so maybe we don't have to reimburse you. And we had to spend a bunch of time fighting with these insurance companies about this issue.

Now, eventually we were lucky, we got these costs approved, because the point was, she didn't know, nobody had diagnosed it, and if you start having a—the standard of preexisting condition is you might have had that illness some time at some point before you—or you were genetically predisposed to it, potentially, none of us would ever get any insurance.

So—but I still remember watching her—you know, she's sick, she's going through chemotherapy, and she's on the phone arguing with insurance companies. And she's lucky she had insurance. There are tons of people out there who, once they've had one heart attack, once they've been diagnosed with diabetes, once they've got some form of chronic illness, from that point forward it is almost impossible for them to get health insurance. And if their employer, especially if it's a small employer, wants to give them health insurance, it's the costs are so prohibitive that they can't do it even if the employer wants to help them.

I mean, if Carlos has got a small business, if—I don't know how many employees he has, but if he has 10 employees, 22 employees, and if one of them got a serious illness like leukemia, it would send his insurance rates skyrocketing to a point where he just couldn't operate.

So this is why any reform of the health care system, I think, has to address this issue and to say we are going to allow anybody to get health insurance. And if you've got a preexisting condition you're not going to be excluded but

you're going to be able to obtain health insurance. And if you can't obtain it through a private plan then there is going to be a public plan that is available in some way to give you insurance, or insurers are obligated to provide you with insurance in some way.

Now that's a principle. What are the details of how we're going to do that? There are a lot of different approaches. We have seen some progress with the insurance companies where they have said, "We are willing to take everybody in, but only if everybody is required to be in." That's the position that they're taking right now. So the idea is you combine a rule that eliminates preexisting condition exclusions with mandatory health insurance, just like auto insurance is mandatory. That's a proposal they've put forward.

Now, that's progress in the sense that they've acknowledged that this preexisting condition situation is a real problem. Whether that ends up being the best mechanism—during the campaign, I was skeptical of mandates only because my attitude was the reason people don't have health insurance is not because they don't want it, it's because they can't afford it. And if we drive down cost, then people will have it. But that's part of the debate that's going to be taking place over the next several months as we try to develop a health care plan for the future.

Okay? Listen, I know that there were other people who had questions, both here in the live audience, as well as in our virtual audience. But we're out of time. I just want to say thank you for participating. Thanks for paying attention. And we need you guys to keep paying attention in the months and years to come.

Thank you, everybody.

NOTE: The President spoke at 11:39 a.m. in the East Room at the White House. In his remarks, he referred to Jared Bernstein, Chief Economist and Economic Policy Adviser to Vice President Joe Biden, who introduced the President; Lt. John W. Finn, USN (Ret.); and William H. Gates III, chairman, Microsoft.